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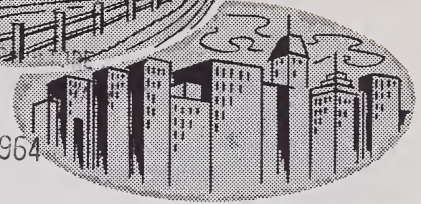
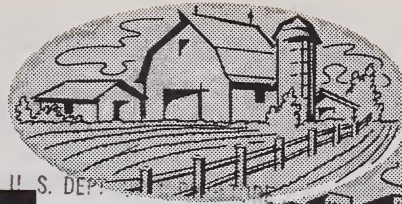
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DEMAND AND PRICE SITUATION



U. S. DEPT.
OF AGRICULTURE

NOV 19 1964

CURRENT SERIAL RECORDS

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For Release November 16, A. M.

NOVEMBER 1964

IN THIS ISSUE

- Accelerated growth in domestic market for farm products in 1964 reflects sharp rise in consumer incomes.
- Continued high level of exports, close to record level of last year.
- Livestock production and marketings record high but lower yields resulting in smaller crop harvest.
- Gross income little changed with larger livestock receipts but lower crop receipts and increased Government payments.
- Rise in production expenses slowed by sharp reduction in hired labor and by lower prices paid for some items.
- Stable realized net farm income for U. S. agriculture from 1961 through 1965.
- Rising income and net worth per farm and per farmer.

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**U. S. DEPARTMENT OF
AGRICULTURE**

Table 1.--Economic factors affecting agriculture

Item	Unit or base period	1963		1964			
		Year	Oct.	July	Aug.	Sept.	Oct.
Industrial production, seasonally adj. <u>1/</u>	1957-59=100	124	126	133	134	134	---
Final products	do.	125	127	132	133	132	---
Consumer goods	do.	125	127	132	132	131	---
Autos	do.	150	155	163	165	146	---
Equipment, including defense	do.	124	127	133	134	134	---
Materials	do.	124	126	134	135	136	---
Construction: <u>2/ 3/</u>							
Total outlays	Mil. dol.	62,451	64,966	66,641	65,977	65,904	---
Public construction	Mil. dol.	18,679	19,601	20,380	19,955	19,980	---
Private residential	Mil. dol.	25,843	26,584	26,708	26,268	26,051	---
Housing starts, private only	Thousands	1,609	1,864	1,505	1,424	1,484	---
Manufacturers' shipments and inventories: <u>2/</u>							
Total shipments, seasonally adjusted	Mil. dol.	34,774	35,214	37,963	37,168	37,264	---
Durable goods	Mil. dol.	18,071	18,590	19,861	19,164	19,258	---
Unfilled orders-shipments ratio <u>4/</u>		1.43	1.42	1.42	1.46	1.48	---
Inventory- shipments ratio, total <u>5/</u>		1.69	1.68	1.59	1.63	1.64	---
Durable goods		1.95	1.91	1.84	1.92	1.92	---
Employment and wages, seasonally adj.: <u>6/</u>							
Total civilian employment	Millions	68.8	69.1	70.6	70.5	70.3	---
Nonagricultural	do.	63.9	64.1	65.7	65.7	65.5	---
Unemployment	do.	4.2	4.1	3.6	3.8	3.8	---
Workweek in manufacturing	Hours	40.4	40.6	40.6	40.7	40.6	---
Hourly earnings in manufacturing, unadj.	Dollars	2.46	2.47	2.53	2.52	2.56	---
Income and spending:							
Personal income <u>2/ 3/</u>	Bil. dol.	464.1	472.7	491.4	494.9	497.1	---
Consumer credit outstanding <u>1/</u>	Mil. dol.	69,890	67,088	72,456	73,069	---	---
Automobile	Mil. dol.	22,199	21,971	24,024	24,251	---	---
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	20,536	20,716	21,964	22,268	22,027	---
Durable goods	Mil. dol.	6,675	6,941	7,060	7,311	7,449	---
Inventory-sales ratio <u>5/</u>		1.39	1.40	1.37	1.34	---	---
Prices: <u>6/</u>							
Wholesale prices, all commodities	1957-59=100	100.3	100.5	100.4	100.3	100.7	---
Commodities other than farm and food	do.	100.7	100.9	101.1	101.1	101.1	---
Farm products	do.	95.7	95.1	94.1	93.6	95.6	---
Foods processed	do.	101.1	102.2	101.2	101.0	102.2	---
Consumer price index, all items <u>7/</u>	do.	106.7	107.2	108.3	108.2	108.4	---
Food	do.	105.1	104.9	107.2	106.9	107.2	---
Prices received by farmers <u>8/</u>	1910-14=100	242	242	234	232	236	236
Crops	do.	237	235	234	226	228	232
Livestock and products	do.	245	248	234	237	244	239
Prices paid, interest, taxes and wage rates <u>8/</u>	1910-14=100	312	311	312	313	313	312
Family living items	do.	298	297	300	300	299	300
Production items	do.	273	272	269	269	270	269
Parity ratio <u>8/</u>		78	78	75	74	75	76
Farm income and marketings: <u>8/</u>							
Volume of farm marketings	1957-59=100	115	176	110	117	131	---
Cash receipts from farm marketings	Mil. dol.	36,925	4,727	2,683	2,925	3,400	---

Annual data for most of these items for years 1929, 1941, 1947 and 1950-63 appear on page 35 of the April 1964 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates. 4/ Unfilled orders, end of month, divided by shipments. 5/ Inventories, book value, end of month, divided by shipments. 6/ U. S. Department of Labor. 7/ Beginning January 1964, new series. 8/ U. S. Department of Agriculture.

 T H E D E M A N D A N D P R I C E S I T U A T I O N

Approved by the Outlook and Situation Board, November 4, 1964

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AGRICULTURAL SITUATION AND OUTLOOK FOR 1965

The outlook for 1965 is for continued stability in farm income, at about the level which has prevailed for the past 4 years. With declining numbers of farms and of farm people, income per farm and income per capita of persons living on farms in 1965 will likely exceed the record levels being realized in 1964.

Domestic markets for most food and other farm products will continue to expand in 1965; exports may total near the record level in 1963-64. Large supplies of farm products will again be available to meet these requirements. Production of livestock products will increase further in 1965. Although poor growing conditions resulted in some reduction in 1964 crop output, carryover stocks are large, particularly for grains, cotton, and tobacco. Market prices for farm products this year are indicated about $2\frac{1}{2}$ percent below 1963. With average growing conditions and no major changes in current programs, prices again may drift lower in 1965, largely due to lower market prices for crops. But as in 1964, increased Government payments will be an offsetting factor. A

further gain in livestock product receipts is likely next year. Farmers' gross income in 1965 may be much the same as in 1964. Production expenses may show only a small change. Thus, realized net farm income next year is expected to hold about the same as the January-September annual rate of \$12.4 billion reported for 1964.

Continued economic expansion, rising consumer incomes, and population growth will further increase domestic demand for farm products in 1965. However, the gain in consumers' after-tax income next year, though better than average, may not equal the sharp advance of this year, when there was a substantial reduction in personal tax rates. Per capita food consumption is expected to continue in 1965 around this year's high level, 102 percent of the 1957-59 average. Foreign markets will take large exports again in the current fiscal year. Smaller shipments of wheat, dairy products, and tobacco may be largely offset by increases for oils, soybeans, feed grains, and fruits.

The recent uptrend in production of livestock products is expected to continue, but at a slower pace than the estimated gain of 3 percent from 1963 to 1964. The rise in beef production may be less than half the estimated 10 percent increase this year. Pork and lamb production will decline further in 1965, but small gains are indicated for dairy and poultry products. Preliminary 1964 crop output was estimated in October to be 3 percent below 1963. The decline was due largely to unfavorable growing conditions which reduced yields, particularly for feed grains, soybeans, and potatoes. Crop output likely will rebound next year if average growing conditions prevail.

Livestock product prices are not expected to change much in 1965 from this year's level. Cattle prices may be well maintained with the smaller gain in slaughter now in prospect. Hog and lamb prices are expected to increase in response to smaller production next year; prices for some poultry products may drift down further with rising production. Market prices for crops likely will average lower in calendar year 1965. But under current programs, lower average prices will be partly offset by increased direct payments to cooperators. With average growing conditions and larger production, prices for potatoes and some fruits and vegetables may not attain 1964 levels.

Cash receipts from sales of livestock and products may show another small gain in 1965, reflecting a further increase in marketings but little change in average prices received. Cattle marketings are expected to increase further but declines are in prospect for hogs and lambs. With continued demand increases, red meat prices are expected to hold up well and some increase in cash receipts for meat animals is indicated. Little overall change is expected in cash receipts for dairy and poultry products. Smaller crop receipts in prospect will be partly offset by larger Government payments.

Gross income realized by farmers, including cash receipts, Government payments, and non-money income, is estimated for 1965 at about the level of the past 2 years. Apparently, production expenditures are increasing much less this year than the average of recent years. The number of hired workers is down substantially from 1963 and prices of items used in farm production average about 1 percent below last year. There will be only small increases in pro-

duction expenses in 1964, and probably in 1965, as compared with increases in other recent years. Accordingly, operators' realized net farm income in 1965 may not change much from the relatively stable level of recent years.

Agricultural Situation

Consumer spending for food so far this year is totaling about 5 percent above 1963. This compares with an average increase of 3 percent per year during 1960-63. Expanded demand this year reflects the sharp advance in consumer disposable income following the tax reduction last March. After-tax income in the second and third quarters was 8 percent above a year earlier. Population is again rising about 1.4 percent and per capita income was up $6\frac{1}{2}$ percent, about twice the annual gain in recent years. Per capita food consumption this year is up 1 percent from 1963 with a gain of 6 percent in consumption of beef and veal and 7 percent for turkey. Although beef production this year is indicated 10 percent higher, sharply expanded consumer incomes and Government beef purchases have limited the decline in cattle prices to a level only moderately below 1963. With a relatively small decline in average prices of livestock products, cash receipts in 1964 are expected to be slightly above the 1963 level.

Export markets took a record \$6.1 billion worth of farm products in fiscal 1963-64. This gain of 20 percent from the previous 2 years included big increases for grains, oils, and dairy products. Export markets are expected to continue nearly as large in fiscal 1964-65. Economic conditions continue favorable in important industrial countries, especially Western Europe, Japan, and Canada. Most of these countries, with record gold and dollar holdings, are expanding markets for U. S. agricultural products. Growing livestock industries in Western Europe and Japan provide expanding dollar markets for U. S. feed grains, protein meal, and soybeans. Export programs will continue to move a number of commodities into the world market.

Production of livestock products this year is expected to total around 3 percent above 1963. Relatively large increases are indicated for cattle and calves (nearly 10 percent) and for turkeys. Hog production will be smaller than in 1963 by possibly 3 percent; lamb by 6 to 7 percent. And hog production prospects point to a still smaller slaughter in 1965. The number of sows farrowing in June-November this year was estimated about 7 percent below a year earlier. Producers reported intentions to reduce farrowings 13 percent from a year earlier during December 1964-February 1965. Beef cattle numbers are expected to increase only slightly next January 1 from a year earlier and further small gains in marketings of cattle and calves are likely in 1965. Production of poultry products is expected to increase again in 1965.

Drought conditions in major producing areas reduced crop yields this year. Crop production for 1964 was indicated in October at 109 percent (1957-59=100), down from 112 in 1963. Acreage used for crops is about the same as in 1963, but estimated yields are 3 percent lower. This is the first decline in the crop yield index since 1959. Even if crop production springs back in 1965, the impact of the smaller 1964 crop, part of which is marketed in 1965, probably will result in crop marketings for both 1964 and 1965 at a level below 1963.

Table 2.--Agricultural prices, marketings and income, 1962 to date

Item	Unit	1962				1963				1964			
		Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
Prices received by farmers													
Crops	1910-14=100	244	242	242	240	241	234	234	234	234	234	234	234
Livestock and products	1910-14=100	231	237	234	239	242	242	244	244	244	244	244	229
	1910-14=100	255	245	250	242	239	242	226	226	226	226	226	238
Prices paid, interest, taxes and wage rates													
Family living items	1910-14=100	307	312	312	311	313	313	313	313	313	313	313	313
Production items	1910-14=100	295	298	298	298	298	298	300	300	300	300	300	300
	1910-14=100	270	273	273	271	272	272	270	270	270	270	270	269
Parity ratio		79	78	78	77	77	77	75	75	75	75	75	75
Volume of farm marketings													
Crops	1957-59=100	111	115	117	155	102	102	92	92	92	92	92	120
Livestock and products	1957-59=100	112	118	123	199	90	90	59	59	59	59	59	125
	1957-59=100	110	113	112	123	111	111	117	117	117	117	117	116
Cash receipts from farm marketings ^{1/}													
Crops	Bil. dol.	36.1	36.9	9.3	12.4	8.1	8.1	7.2	7.2	7.2	7.2	7.2	9.1
Livestock and products	Bil. dol.	16.1	17.0	4.4	7.0	3.3	3.3	2.4	2.4	2.4	2.4	2.4	4.2
	Bil. dol.	20.0	19.9	5.0	5.3	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.9
Farmers' realized net income ^{2/}													
	Bil. dol.	12.6	12.5	12.4	12.8	12.3	12.3	12.3	12.3	12.3	12.3	12.3	12.5

^{1/} Seasonally adjusted annual rates are: 1963-III, \$36.8 billion; and IV, \$37.2 billion. 1964-I, \$36.7 billion; II, \$36.8 billion; III, \$36.2 billion.

^{2/} Seasonally adjusted annual rates.

U. S. Department of Agriculture.

Carryover stocks at the beginning of the 1964-65 marketing year were still relatively large. Less favorable product-feed price relationships and a small reduction in feed utilization contributed to increased feed grain stocks, reversing the trend in stock liquidation in recent years. Carryover stocks of cotton and tobacco also increased during the 1963-64 marketing year. But a 300-million bushel reduction in wheat stocks to around 900 million bushels last July 1 more than offset increases for other commodities. CCC investment at midyear was down slightly from a year earlier. Little change is indicated for wheat stocks in 1965, but reduced production of feed grains and soybeans probably will result in a reduction in stocks of these commodities.

General Economic Situation and Outlook

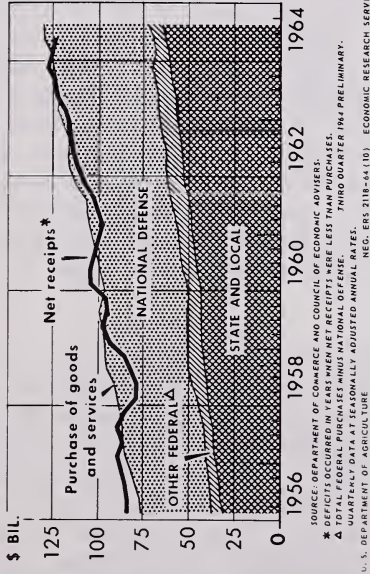
With the strong advance in economic activity in the third quarter, the economy continues to display vigorous and generally well-balanced growth. The gross national product in the third quarter, the value of final goods and services produced by the economy, was at a level 7 percent above a year earlier. A continued rise in business activity appears likely next year with further increases indicated in consumer buying, business investment, and Government purchases of goods and services.

Most of the expansion this year is in the private sector, particularly in consumer purchases and in business outlays for new plant and equipment. Some weakening has developed in residential housing and Federal defense expenditures have leveled off. Production has responded to demand expansion and, in the third quarter, industrial output was up 6 percent from a year earlier. Employment increased by $1\frac{1}{2}$ million from a year earlier to 72 million workers. Even with continued productivity gains and a comparatively large increase in the labor force, employment increases were large enough to bring some reduction in unemployment. Increased wages and rising personal income payments, along with reduced tax rates, resulted in after-tax consumer incomes some 8 percent above the third quarter of 1963. This is a substantial $6\frac{1}{2}$ percent increase per capita. Sharp gains in after-tax incomes have increased consumer buying. But productive capacity continues to expand. And changes in commodity wholesale prices have been generally small, except for increases in some industrial materials. The uptrend in retail prices continues much the same as in recent years.

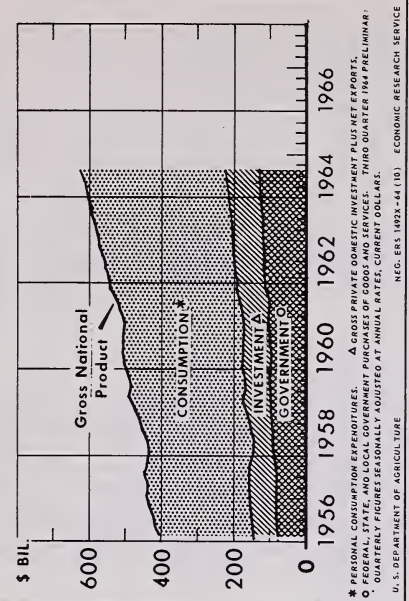
There is little evidence that economic expansion this year has resulted in serious imbalances in the economy. Inventories are low compared to expanding sales. Plant expansion has not been excessive, particularly in relation to demand. Production increases have resulted in improved operating rates, but there is no general pressure on productive capacity. A prospective further advance in consumers' after-tax income, large accumulated savings, and increased consumer buying intentions all point to rising consumer expenditures well into 1965. Consumer intentions to purchase new automobiles, appliances, and other household durable goods are well above a year earlier. And with rising incomes, purchases of nondurable goods and services will increase.

Business capital outlays continue their strong advance. Scheduled outlays for 1964 are up 13 percent from last year. All major industry groups are

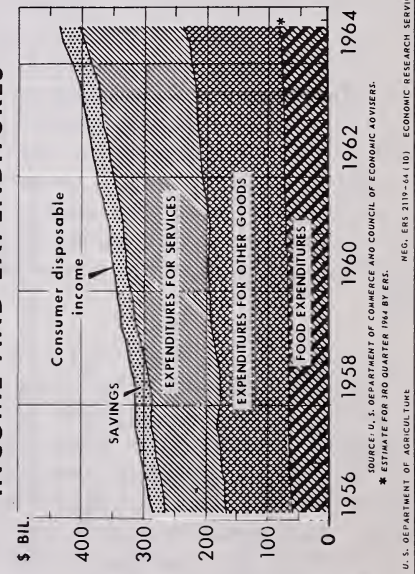
GOVERNMENT PURCHASES AND NET RECEIPTS



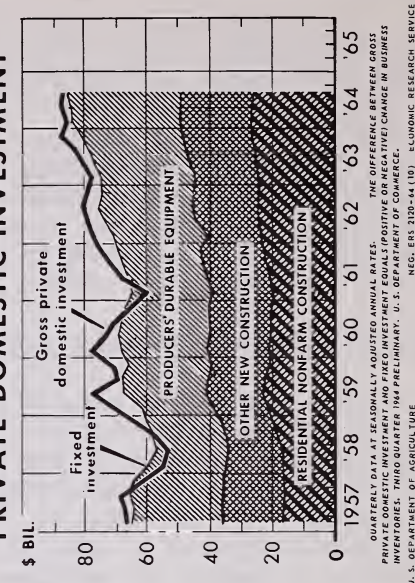
MAJOR SOURCES OF DEMAND



INCOME AND EXPENDITURES



PRIVATE DOMESTIC INVESTMENT



participating, but much of the increase has been in manufacturing industries. Although manufacturing capacity is expanding more than in recent years, apparently the increase is about keeping pace with growth in demand. The favorable environment for investment reflects the strong consumer market, expanded orders and larger order backlogs, higher plant operating rates, and sharply higher after-tax profits. Increases in capital appropriations by large corporations indicate general business confidence. Moreover, there is some evidence that the stock of equipment more than 10 years old has doubled since the mid-1950's. Along with larger business earnings, the investment credit and liberalized depreciation rules provide added incentives for further increases in investment outlays. Accordingly, the rise in business capital spending is expected to continue during 1965.

Business inventory investment likely will increase above the relatively slow growth in recent months. Inventory-sales ratios are at the lowest levels of this expansion period and further growth is expected to require larger inventories. Steel stocks may rise relative to consumption in coming months if users accumulate stocks as a hedge against possible strikes.

Residential construction activity has declined this year. Housing starts have trended irregularly downward from a 1.9-million annual rate last October to 1.5 million this September. New housing permits reached a peak in the first quarter and have since declined. However, considerable adjustment has already taken place in residential construction activity and basic factors influencing housing demand are favorable. Consumer incomes are rising, financing is readily available at relatively stable interest rates, and some pickup in the rate of new family formation is indicated.

Government purchases of goods and services continue to rise due primarily to a persistent uptrend in outlays by State and local Governments. Federal purchases have increased very little during the past year. Except for a sharp rise in the second quarter, national defense expenditures have fluctuated around a \$55½-billion annual rate since mid-1963. Barring unexpected developments, Federal purchases are not expected to provide any significant economic thrust in the coming year. But the uptrend in outlays by State and local Governments for schools, roads, and other facilities needed by a growing population may quicken.

Demand increases outlined above for consumers, business, and Government point to another strong advance in economic activity, though probably not equal to the gain of more than 6½ percent now indicated from 1963 to 1964. Such growth would lead to further increases in output and employment. With plant expansion approximately matching increases in demand, no general upward pressure on commodity prices is indicated. Gains in employment and rising wage rates will expand consumer purchasing power for food and other consumer goods and services.

GENERAL AGRICULTURAL SITUATION

Consumer spending for food during January-September was up a substantial 4.7 percent above a year earlier. Domestic demand for U. S. farm products is expected to continue rising through 1965. Rising wages and profits, combined with lower personal tax rates, resulted in a jump of around $6\frac{1}{2}$ percent per capita in incomes after taxes so far this year. Higher incomes and a 1.4 percent increase in population are leading to a record-large domestic market for food and fiber products (table 3). Per capita consumption of all food products is increasing around 1 percent this year. Gains in consumption of beef, poultry, and fresh fruit are more than offsetting declines in pork, lamb and mutton, vegetables, and processed fruits. Prices consumers pay for food items are rising again this year but possibly by a shade less than last year's 1.4 percent gain. Most of the added spending for food this year is being reflected in increased marketing, processing, transportation, and other services rather than in added farmer receipts.

Table 3.--Expenditures for food with comparisons
1961 to date

Year	Popu- lation July 1 1/	Dispos- able personal income 2/	Food expendi- tures 3/	Per capita disposable personal income	Per capita food expendi- tures	Retail food price index 4/
	<u>Mil.</u>	<u>Bil. dol.</u>	<u>Bil. dol.</u>	<u>Dol.</u>	<u>Dol.</u>	<u>1957-59=100</u>
1961	184	365	71	1,985	386	102.6
1962	187	385	74	2,060	396	103.6
1963	189	402	76	2,125	401	105.1
1964	192	5/429	5/79	5/2,238	5/412	5/106.2

1/ Total U. S. population for 50 States, including Armed Forces overseas.
Bureau of the Census.

2/ Includes Alaska and Hawaii. Department of Commerce.

3/ Total food expenditures. Includes food purchased away from home; excludes alcoholic beverages. Department of Commerce.

4/ Bureau of Labor Statistics.

5/ Average of first 9 months.

Livestock Production Higher;
Prices Received Lower

Output of livestock and products in 1964 is rising by more than last year's gain of 3 percent and further advances are likely next year (table 4). Rising production is resulting in an increased volume of marketings and rising consumption per capita of total livestock products. But with growing demand, prices received by farmers for livestock and products are holding around $3\frac{1}{2}$ percent below a year earlier. Prospects are for a slight gain in cash receipts from 1963.

Most of the gain in output this year is in beef. Cattle prices so far this year average 8 percent below a year earlier. But recent strengthening in fed cattle prices and continued lower prices for feeders provide feeding margins which point to continued high levels of production and marketings through this year and next. The gain next year will not match this year's, however, if beef cattle inventories are maintained. A smaller hog output marketed at prices little improved from a year earlier is leading to reduced cash receipts for hogs. Indicated smaller pig crops point to a further decline in marketings and to higher prices received through 1965.

Milk production is slightly above last year's 125 billion-pound level and little further change is in prospect through 1965. Cash receipts from dairy products marketed by farmers are expected to increase about $2\frac{1}{2}$ percent this year. Marketings are rising more than output because less milk is being used on farms. And prices are up due to strengthening domestic and world demand, increased exports, and reduced domestic stocks. Prospects are for only small changes in cash receipts in 1965. Production and marketings of poultry and eggs this year are above a year earlier; prices average generally lower but receipts are up slightly.

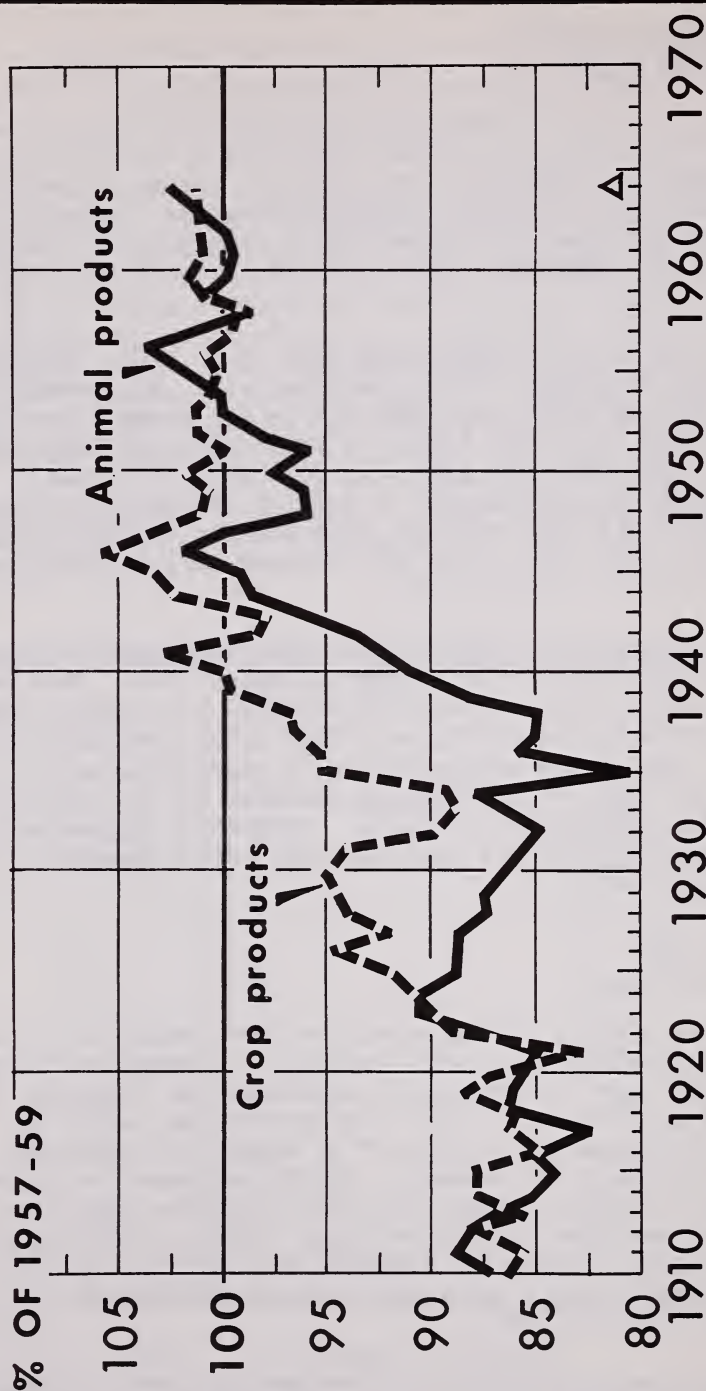
Crop Production and
Marketings Smaller

Lower crop yields, mostly among the feed grains, are leading to a reduced level of crop production this year (table 4). Acreage for harvest is little changed from 1963, but yields were estimated around 3 percent below a year earlier. The rising trend in total crop production, which was interrupted this year by unfavorable weather, results from advancing technology and higher yields rather than from changes in acreage. Yields increased to 116 percent of the 1957-59 average in 1963, up from 74 percent 15 years ago. Crop acreage, on the other hand, has been generally decreasing, largely a reflection of grower participation in Government programs. Assuming average growing conditions and current Government programs, yields and production may be expected to recover next year from this year's reduced level.

Output of crops primarily for feed use has been increasing since World War II more rapidly than that of crops intended for direct human consumption. In the domestic market, use of crops for food has expanded about in proportion to the growth in population. Per capita food consumption of crop products this year is continuing the same as in 1949. Gains in the use of processed potatoes and vegetables are about offsetting reduced use per person of fresh

FOOD CONSUMPTION PER CAPITA

Crop and Animal Products



CIVILIAN CONSUMPTION (USING CONSTANT RETAIL PRICES AS INDEX WEIGHTS).
 ▲ PRELIMINARY.

Table 4.--Farm production: Index numbers of total farm output, gross production of livestock and crops, United States 1/

(1957-59=100)				
Item	1961	1962	1963	1964 <u>2/</u>
Farm output	107	108	112	111
All livestock and livestock products <u>3/</u>	106	107	110	113
Meat animals	106	108	113	116
Dairy products	103	104	103	104
Poultry and eggs	112	111	115	118
All crops <u>4/</u>	107	107	112	109
Feed grains	99	100	110	97
Hay and forage	102	105	105	102
Food grains	106	98	102	114
Vegetables	110	108	109	104
Sugar crops	115	119	152	168
Cotton	116	121	126	124
Tobacco	119	134	131	123
Oil crops	122	123	129	129

1/ For historical data and explanation of indexes, see, "Changes in Farm Production and Efficiency", USDA Statistical Bulletin No. 233.

2/ Preliminary indexes for 1964 based on October 1964 "Crop Production" report and other releases of the Crop Reporting Board, SRS.

3/ Gross livestock production includes other livestock products not included in the separate groups shown.

4/ Gross crop production includes fruits and nuts and some miscellaneous crops not in the separate groups shown.

Prepared jointly by Economic Research Service and Statistical Reporting Service.

fruits and vegetables and cereal products. Per capita consumption of livestock products, on the other hand, has been rising during the past 15 years to a level 6 percent above 1949. The rising per capita use of livestock products and a steadily growing population resulted in expanding markets for feed grains and hay. The quantity of feed grain fed to livestock in 1963-64 is estimated around one-fourth more than that fed 15 years ago. By comparison, the quantity of wheat processed for food is little changed.

Prices received by farmers for crops in 1964 are expected to average slightly below 1963, particularly during the last half of the year when new programs are effective for 1964 crops of wheat and cotton. The loan level of

1964-crop wheat is \$1.30 per bushel, down 52 cents from a year earlier. Cooperating wheat producers received marketing certificates for their proportionate shares of the domestic food and the export markets. The certificates covering domestic food production are valued at 70 cents per bushel; those for export at 25 cents. Cotton supports are $2\frac{1}{2}$ cents below the rates for 1963. Farmers growing only their proportionate ~~share of domestic allotments~~ are eligible for an additional payment of $3\frac{1}{2}$ cents per pound. Prices for potatoes and some other vegetables are expected to be lower next year, if average growing conditions prevail. A reduced harvest for these crops in 1964 resulted in relatively high prices.

Smaller production and lower market prices received for crops during the 1964-65 marketing year suggest some decline in receipts from crop sales this year and next. Cash receipts from marketing fruits, vegetables, and tobacco in 1964 are expected to total above year-earlier levels. But lower revenues for grain and cotton point to receipts from marketing all crops in 1964 below the 1963 level. But the income effect of lower market prices will be about offset by increased Government payments, particularly for wheat and feed grains.

Carryover Stocks Lower for Several Major Farm Commodities

Carryover stocks of farm commodities generally continued relatively large at the beginning of the 1964-65 marketing year (see chart). Total price support extended on 1963 crops was some 12 percent below a year earlier and CCC investment at the close of the 1964 fiscal year was 2 percent lower than a year earlier. Further declines in CCC investment are in prospect for 1965; reduced levels of crop output this year accompanied by continued expansion in total demand implies some reduction in carryover stocks, particularly of feed grains, by the close of the 1964-65 marketing year.

Carryover stocks of wheat likely will be little changed next July 1 from this year's 900-million bushel level even though production increased about 13 percent. Exports will be less than a year earlier but will continue at high levels and prospects are for increased use of wheat for feeding. A reduction of almost 300 million bushels in wheat stocks on July 1, 1964, from a year earlier was largely a reflection of sharply increased exports.

Feed grain stocks at the beginning of the 1964-65 marketing season were 69 million tons, up 8 percent from a year earlier. The 1963 crop was larger and feed grains fed to livestock was down around 2 percent from a year earlier. With a 19-million-ton reduction in the crop this year, a decline of around 11 million tons in the feed grain carryover is in prospect for 1964-65.

Soybean stocks on October 1 were 32 million bushels compared with 15 million a year earlier. World supplies of edible oils were abundant and farmers fed less meal to livestock. But the crop this year is about the same as in 1963 and prospects are for increased domestic and foreign demands.

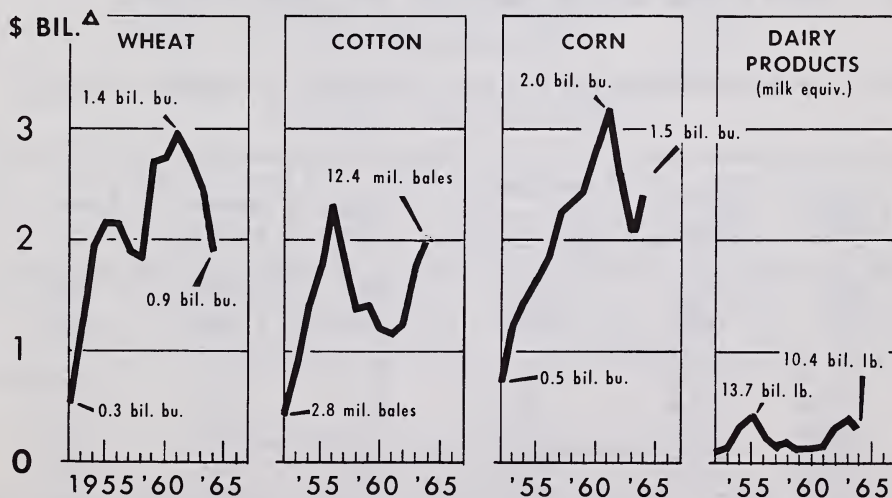
Domestic use and export shipments of cotton continued slightly above the year-earlier level during the marketing year just ended. But record-high

yields resulted in a 1963 crop around 1 million bales in excess of utilization. Carryover of cotton rose to a level on August 1, of 12.4 million bales. Domestic use during 1964-65 is expected to total more than 1 million bales above a year earlier. But 1964 production is indicated around last year's high level. Consequently, there may be a further slight buildup in cotton stocks next August 1.

Tobacco stocks have been building up recently due to substantial gains in yields per acre. Stocks of flue-cured tobacco on July 1 rose to 2.4 billion pounds and stocks of burley on October 1 were a record-large 1.4 billion pounds. This year, tobacco production is indicated smaller than a year earlier; acreage was reduced 8 percent and the average yield is about at last year's level. But production continues above requirements and a further increase in tobacco stocks is expected in 1965.

Stocks of dairy products are declining again this year. Storage on December 31, 1964, is expected to total about half the 10.4 billion pounds (milk-equivalent) on hand a year earlier. Liquidation of excess stocks of butter and nonfat dry milk accumulated during 1961-62 is attributed largely to increased export activity. Large gains in dollar sales are associated with reduced world supplies of milk products this year and with growing world demand.

CARRYOVER OF WHEAT, COTTON, CORN, AND DAIRY PRODUCTS



Δ COMMODITIES VALUED AT 1955 SUPPORT LEVELS.

YEARS BEGINNING: WHEAT, JULY 1; COTTON, AUG. 1; CORN, OCT. 1; AND DAIRY PRODUCTS, JAN. 1.

1964 BASED ON INDICATED PRODUCTION AND DISAPPEARANCE AS OF OCTOBER 1964.

Assets and Net Worth
Continue Rising

Market prices of farm real estate have risen steadily in recent years although farm income continued comparatively stable. In the year ended July 1, 1964, market values rose to a level 6 percent above a year earlier. Rising land values is the major reason for anticipating an increase of more than 3 percent in the total value of farm assets on hand next January 1 from the \$223 billion level a year earlier (table 5). Smaller inventories of crops and livestock are more than offsetting small gains in holdings of financial assets, machinery, and equipment. Contributing to the decline in crop and livestock inventories are lower market prices for wheat and livestock and a reduction in yields of feed grains.

Farmers' debts are continuing to rise. Heavy marketings of cattle throughout the year and lower prices paid for feeder cattle have moderated the needs of some farmers for short-term credit. But drought and increased supplemental feeding expanded the short-term credit needs of others. And farmers are making increased use of consumer credit. Evidently a substantial number of farmers are refinancing short-and intermediate-term debts with longer-term mortgages which have lower interest rates and less burdensome repayment schedules. Farm credit needs are expected to rise further in 1965 to facilitate acquisition of land and capital goods. Thus, although rising land values are increasing the current net worth of farmers, equities as a percentage of total assets are being further reduced: Farmers' liabilities are likely to increase to about 16.4 cents per dollar of total assets next January 1 compared with a rate of 15.7 cents a year earlier and with 9.5 cents in 1950.

Table 5.--Agricultural assets on January 1, in current dollars,
United States, 1961-65

Year	: : Real : estate	: : Live- : stock <u>1/</u>	: : Machinery : and motor : vehicles	: : Crops : <u>2/</u>	: : House- : hold <u>3/</u>	: : Finan- : cial	: : Total
	: : Bil. : <u>dol.</u>	: : Bil. : <u>dol.</u>	: : Bil. : <u>dol.</u>	: : Bil. : <u>dol.</u>	: : Bil. : <u>dol.</u>	: : Bil. : <u>dol.</u>	: : Bil. : <u>dol.</u>
1961	: 131.4	: 15.5	: 18.2	: 8.0	: 8.9	: 17.6	: 199.6
1962	: 137.4	: 16.4	: 18.6	: 8.7	: 9.1	: 17.9	: 208.1
1963	: 142.8	: 17.2	: 19.5	: 9.2	: 8.7	: 18.4	: 215.8
1964	: 150.8	: 15.7	: 19.8	: 9.8	: 8.4	: 18.5	: 223.0
1965 <u>4/</u>	: 158.5	(-----	53.0	-----)	: 19.0	: 230.5

1/ Horses and mules are excluded.

2/ Stored on or off farms.

3/ Includes furnishings and equipment.

4/ Preliminary.

Costs of Production
Rising Slowly

Total inputs in U. S. agriculture have been holding fairly steady in recent years; additions of capital inputs and advancing technology have reduced labor requirements and permitted a steady outflow of farm labor. This year, inputs of power and machinery are accelerating. And with managers producing a combination of crops and livestock products with a lower labor requirement than a year earlier, the downtrend in farm employment has quickened. Sharply reduced use of hired labor, smaller outlays for purchases of feed and livestock, and lower prices paid by farmers for some production items is resulting in a level of production expenses only fractionally higher than 1963.

The Index of Prices Paid by Farmers, including commodities and services, averaged 313 percent so far this year of its 1910-14 average compared with 312 for all of 1963. Wage rates, and interest and taxes payable per acre, are continuing their steady climb. But prices paid for family living have advanced scarcely at all and prices paid for production items dropped 1 percent from a year earlier. Among the production items, prices paid for feeder livestock were down 12 percent in January-October from a year earlier; lower prices paid for feeder and stocker cattle more than offset higher prices for feeder pigs and lambs. Prices paid for feed were off slightly; lower prices for corn and for cottonseed and soybean meals resulted in a reduction in prices paid for mixed feeds.

FACTORS AFFECTING DEMAND
FOR FARM PRODUCTS

Expansion in economic activity continues at a moderately strong pace. GNP in the third quarter was at a \$627.5 billion annual rate after seasonal adjustment, 7 percent above a year earlier. So far in 1964, economic activity has been characterized by a shift in emphasis from the public to the private sector. Spending for residential construction is off slightly and Federal purchases continue little changed. Consumer spending in the third quarter was more than 7 percent above a year earlier. Relatively high and profitable capacity utilization by business has been a continuing stimulant to business fixed investment.

Consumer Income and Spending

With reduced tax rates, after-tax incomes rose to a \$436.7 billion rate in the third quarter, \$5.4 billion above the second quarter and 8 percent above a year earlier. A sharp rise in saving pushed the rate from 7 percent of disposable income in the first quarter to 8.2 percent in the second quarter. But, with an advance in consumption spending, the rate of saving dropped to 7.4 percent in the third quarter; in the past 10 years, the rate averaged 7.2 percent.

Table 6.--Other economic factors affecting agriculture (seasonally adjusted annual rates)

Item	Unit	Year 1963	1963			1964		
			III	IV	I	II	III	I/
Gross national product	Bil. dol.:	583.9	587.2	599.0	608.8	618.6	627.5	
Personal income	Bil. dol.:	464.1	466.3	474.5	480.9	487.9	494.5	
Disposable personal income	Bil. dol.:	402.5	404.4	411.2	419.5	431.3	436.7	
Personal consumption expenditures	Bil. dol.:	375.0	377.4	381.3	390.0	396.1	404.5	
Durable	Bil. dol.:	52.1	52.2	53.6	55.9	57.0	58.8	
Nondurable	Bil. dol.:	167.5	168.6	168.9	172.9	175.3	179.2	
Services	Bil. dol.:	155.3	156.6	158.8	161.1	163.8	166.5	
Personal saving	Bil. dol.:	27.5	27.0	29.9	29.5	35.2	32.2	
Net government receipts	Bil. dol.:	123.4	124.4	128.2	125.2	122.9	---	
Government purchases	Bil. dol.:	122.6	122.8	124.8	125.2	129.6	130.0	
Deficit or surplus (on income and product account)	Bil. dol.:	.9	1.7	3.3	0	-6.7	---	
Gross private domestic investment	Bil. dol.:	82.0	82.8	87.1	85.9	87.2	86.5	
Fixed investment	Bil. dol.:	77.6	78.6	80.7	83.4	83.5	84.8	
Change in business inventories	Bil. dol.:	4.4	4.2	6.4	2.5	3.7	1.7	
Expenditures for plant and equipment	Bil. dol.:	39.22	40.00	41.20	42.55	43.50	2/44.55	
Corporate profits (before taxes)	Bil. dol.:	50.8	51.4	53.1	56.4	57.9	---	
Net exports of goods and services	Bil. dol.:	4.4	4.2	5.8	7.7	5.7	6.5	
Overall foreign payments balance	Mil. dol.:	-2,644	-612	-536	-340	1/-2,932	---	
Population 3/	Millions	189.4	189.8	190.5	191.1	191.7	192.4	
GNP implicit price deflator	1963=100	100.0	100.1	100.7	101.3	101.7	102.2	
Per capita disposable personal income (1963 prices)	Dollars	2,125	2,129	2,148	2,175	2,220	2,233	

1/ Preliminary. 2/ Estimates based on anticipated capital expenditures as reported by business.

3/ Population of the United States including Armed Forces abroad. Annual data as of July 1; quarterly data centered in the middle of the period.

Departments of Commerce, Agriculture and Securities and Exchange Commission.

Consumer expenditures in July-September were at a \$404.5 billion annual rate for a gain of \$8.4 billion from the previous quarter. Increased consumer spending accounted for nearly all of the quarterly rise in gross national product. Retail sales of most industries were substantially above rates in the second quarter and those of a year earlier. Outlays for food and beverages, which account for over 50 percent of nondurable spending, were about 6 percent above the third quarter of 1963. Spending for apparel continued the upswing which began in the first quarter.

The uptrend in expenditures for services -- which includes outlays for housing and household operation (about 40 percent), legal and financial services (16 percent), and medical care and funeral expenses (13 percent) -- has accelerated this year. Consumer expenditures for durable goods in July-September were above those in the second quarter and 13 percent above a year earlier. New car sales were at about an $8\frac{1}{2}$ million-car annual rate in the third quarter.

Private Investment

Recent expansion in investment has been very moderate relative to large increases in consumption. Business plant and equipment outlays have been expanding at a steady, strong pace and in 1964 are scheduled to total about 13 percent higher than in 1963. All major industries have participated in this expansion, with manufacturing outlays up 16 percent, railroads up 33 percent, public utilities up 7 percent, mining up 8 percent, and outlays of commercial firms up 8 percent.

The investment environment during the last year or so has been conducive to a rapid expansion in outlays: Consumer demand has been very strong, capacity utilization has been relatively high, new orders and order backlogs have risen, and corporate profits after taxes are at record levels. Investment is expected to continue expanding in 1965.

Inventories Under Control

Inventories in the first 9 months of 1964 were accumulated at only a \$2.6 billion annual rate compared with an average accumulation of \$5.2 billion in 1962 and 1963. In a Department of Commerce survey last August, 84 percent of the responding manufacturers considered their inventory stocks to be about right and only 13 percent regarded their inventories as too high. Inventory-sales ratios continue near their lowest levels of this expansion and stocks appear to be well in line with prospective sales. Inventory accumulation in 1965 is expected to be faster than the rate so far in 1964 and more nearly in line with expected growth in consumer, business, and Government demands.

Residential Construction Sluggish

Outlays for residential construction declined in each of the past 2 quarters and in July-September were about the same as a year earlier. Housing starts moved irregularly downward during the first 9 months of 1964 from a

1.9 million annual rate in October 1963 to 1.5 million in September of this year. The number of new housing units authorized peaked in the first quarter of this year and has since declined.

Primary causes of the current decline in housing include a temporary slackening in the rate of expansion in the 19-24 age group in 1962 and 1963, and a very high rate of building activity in the last half of 1963. Vacancy rates have been creeping up in the last 2 or 3 years in metropolitan area rental units, and an increasing percentage of homeowner units has become available for sale.

Major demand factors in the housing market have become increasingly favorable for 1965. In addition to rising incomes, the marriage rate rose sharply in 1963 to 8.8 (per 1000 population) and it is currently 9.0, the level which prevailed in 1950-55. The sharp rise in the young adult population, which slowed in 1962 and 1963, has resumed, indicating a step-up in the rate of family formation. Mortgage interest rates are expected to continue relatively low and investment funds are available. Accordingly, the decline in residential construction is expected to reverse itself in 1965.

Government

Government purchases of goods and services in the third quarter inched up to a \$130.0 billion annual rate from \$129.6 billion in the second quarter. A quarterly decline of \$1.1 billion in Federal purchases was more than offset by the continued rise in outlays by State and local governments.

Federal purchases of goods and services have changed little in the past 5 quarters. Expenditures for defense-related programs have fluctuated around a \$55½ billion level since mid-1963. Recent declines in Department of Defense expenditures were about offset by larger outlays for the space program.

Budgetary expenditures of the Federal Government (which exclude trust fund activities) are now expected to be \$97.2 billion in the 1964-65 fiscal year, somewhat less than in the previous Federal accounting year. Increased spending is anticipated for farm price supports, for veterans' benefits, and for interest on the public debt. A major reduction, \$1.4 billion, is scheduled in Department of Defense spending.

To measure the impact of the Federal Government sector on the economy, all Federal activities (including social security and other trust funds) are placed on an accrued expenditure basis. On this basis, expenditures are budgeted at \$121.2 billion for the year ending June 30, 1965, from \$118.5 billion the previous year. Of the total, \$66.2 billion is for Federal purchases of goods and services -- about the same value of purchases made in fiscal 1963-64. Thus, all of the \$2.7 billion rise in the Federal expenditures is expected in the form of transfer payments, interest payments, or subsidy payments.

State and local outlays for goods and services rose \$1.5 billion in the third quarter from the second and were \$5.6 billion above a year earlier.

About one-third of State and local spending is for education, another 20 percent is for health and welfare, 16 percent is for highways, and most of the remainder is for general government (including police and fire protection). The secular uptrend in State and local outlays is expected to continue in 1965, largely because of increased need for schools, roads, hospitals, and civilian protection services.

Production and Employment

Industrial output rose in the third quarter to 134 percent of its 1957-59 average, 6.3 percent above a year earlier. Output of consumer goods continued to expand, as did production of equipment and raw materials. Work stoppages reduced automobile output in late September, but they had little discernible effect on overall output of consumer goods. However, by October, reduced auto production caused a decline in the Federal Reserve index of industrial production. Output of automotive products directly accounts for 3.21 percent of total output; and indirectly, automobile output affects production of most industrial raw materials and equipment.

Consumer goods production, which accounts for about 32 percent of total output, was 132 (1957-59=100) compared with 131 in the previous quarter. Output of food, beverage, and tobacco products account for about 35 percent of consumer goods output and wearing apparel makes up about 16 percent.

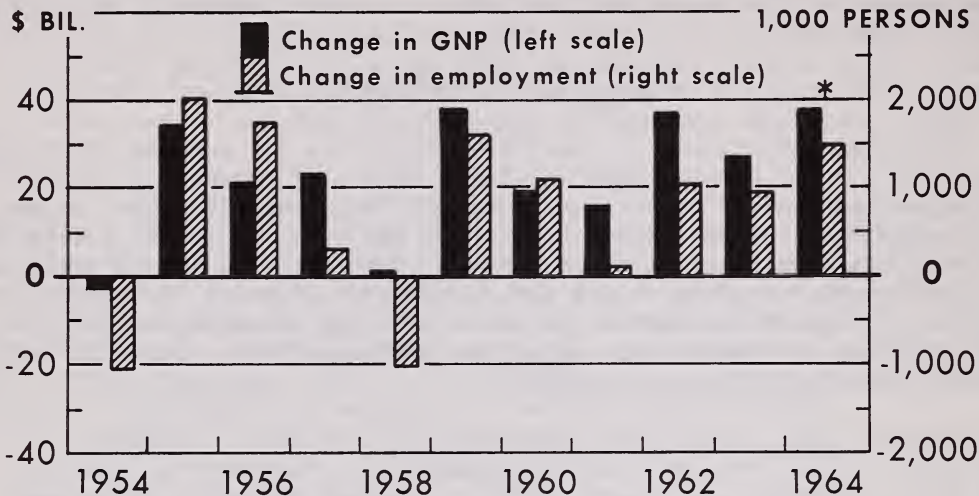
Equipment production is about 15 percent of industrial activity, and in July-September the index was at 134 (1957-59=100), 2 percent above the second quarter. About 45 percent of equipment production is for industrial uses, nearly 23 percent for defense uses, 16 percent for commercial businesses, 12 percent for transportation uses, and the remaining 4 percent for farm machinery and tractors.

Raw materials output rose to 135 percent (1957-59=100) in the third quarter, 2.7 percent above the second quarter. Over 52 percent of the Federal Reserve index of production is accounted for by output of materials used primarily by businesses or in intermediate stages of production.

Employment Rises

Associated with expanding demand and production has been an increase in employment. In the third quarter, employment totaled 70.5 million persons, 1.5 million more than in the like 1963 period. During the past year employment expanded at a faster pace than the labor force and the rate of unemployment in the third quarter averaged 5 percent, down from $5\frac{1}{2}$ percent a year earlier.

Employment rose about 300,000 persons from 1963 to 1964 in each of three major categories: Manufacturing, service industries, and State and local Governments. The number of employees in wholesale and retail trade rose by about 400,000 persons. Declines occurred in employment by the Federal Government and the mining industry. Production and employment are expected to increase further in 1965 with the expansion in demand.

Change From Previous Year**GROSS NATIONAL PRODUCT AND EMPLOYMENT**

SOURCE: COMPUTED BY ERS FROM U. S. DEPARTMENT OF COMMERCE DATA.

* ESTIMATES BY ECONOMIC RESEARCH SERVICE.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 3275-64 (10) ECONOMIC RESEARCH SERVICE

Prices

Urban consumer prices during the third quarter of this year averaged about 1 percent above a year earlier. The increase in retail food prices was just over 1 percent but that of all other commodities averaged just under. Prices paid by consumers for services rose around 2 percent from a year earlier. Retail prices paid by rural consumers are rising more slowly this year than those in urban areas.

Wholesale prices during July-September averaged about the same as a year earlier. Prices for processed foods and for industrials were slightly higher but prices for farm products were off 2 percent. Among the industrials, crude materials prices increased around 4 percent.

FOREIGN TRADE

Agricultural exports in the fiscal year ended last June 30 totaled \$6.1 billion, 20 percent above the previous 2 years and nearly double fiscal 1955. Most of the increase occurred in sales for dollars, outside of Government programs, which totaled \$4.5 billion. Exports under Government-financed programs

amounted to \$1.6 billion. Agricultural exports continued strong in July-September at a rate 10 percent above a year earlier and are expected to total in fiscal 1965 close to the year-earlier level. Most of the increase in fiscal 1963-64 was in sales of wheat and flour, cotton, feed grains, and soybeans. Small declines took place in fruits and vegetable oils.

Several factors contributed to the \$1 billion gain in U. S. agricultural exports in 1963-64. World food supplies per capita were a little smaller last year. With general economic growth and efforts to improve diets, world demands for food are rising rapidly, especially for livestock products in areas such as Western Europe and Japan. And an unfavorable wheat harvest in the Soviet Union and Western Europe increased trade in wheat and other grains. It is estimated that 80 million acres, or 1 out of every 4 harvested acres in the United States, were required to produce the various quantities of agricultural commodities exported in fiscal 1963-64.

Imports of agricultural products rose in fiscal 1963-64 to \$4.1 billion from \$3.9 billion in the previous year. The increase resulted mainly from larger imports of coffee, bananas, and other fruits. Declines occurred in imports of live animals and crude rubber.

Table 7.--Balance of agricultural trade and
balance of payments, 1955-64

	Agricultural exports			Agricultural trade balance (-deficit)	Agricultural payments balance (-deficit)	Overall U. S. balance of payments (-deficit)	
Year ending June 30	Total	Commer- cial sales	Govern- ment pro- grams	Agricultural imports	1/	2/	
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
1955	3.1	2.3	.8	3.8	- .7	-1.5	-1.4
1956	3.5	2.1	1.4	4.1	- .6	-2.0	-1.3
1957	4.7	2.8	1.9	3.8	.9	-1.0	- .4
1958	4.0	2.8	1.2	3.9	.1	-1.1	-1.6
1959	3.7	2.4	1.3	4.0	- .3	-1.6	-3.8
1960	4.5	3.2	1.3	4.0	.5	- .8	-3.4
1961	4.9	3.4	1.5	3.6	1.3	- .2	-2.7
1962	5.1	3.5	1.6	3.8	1.3	- .3	-3.1
1963	5.1	3.5	1.6	3.9	1.2	- .4	-3.4
1964	6.1	4.5	1.6	4.1	2.0	.4	-1.1

1/ Surplus of total agricultural exports over total agricultural imports.

2/ Surplus of commercial sales exports over total agricultural imports.

Note: Totals may not reflect components due to rounding.

U. S. Departments of Agriculture and Commerce.

Exports of agricultural commodities in fiscal 1964-65 are expected to continue at a high level, though somewhat below the record 1963-64 level. Wheat shipments are expected to be above average, but lower than the unusually large shipments in 1963-64. Economic growth is expected to continue in Japan, Canada, and in the important industrial countries of Western Europe. Population and per capita purchasing power will continue expanding. Most of these countries have record gold and dollar holdings permitting them to increase further their imports from the United States. Livestock industries in Western Europe and Japan are expected to provide an expanding dollar market for U. S. feed grains, protein meal, and soybeans. And export payments for a number of agricultural commodities, such as wheat, cotton, nonfat dry milk, and rice will enable them to move into foreign markets at competitive prices.

Balance of Payments

The recent expansion in agricultural exports was a major contributor to a sharp reduction in the U. S. balance-of-payments deficit in the January-June period. This deficit, which was at a \$4.7 billion rate in January-June of 1963, was more than halved in the first 6 months of 1964. Most of the improvement occurred in January-March when sales of agricultural commodities were made to Communist countries. In that period the surplus on goods and services account rose to \$9 billion, annual rate, compared with a \$4.8 billion rate in the like 1963 period. In April-June, the goods and services surplus declined to a \$7.2 billion rate, and Government grants increased, resulting in a \$2.9 billion (annual rate) payments deficit in that period. Apparently the U. S. payments position again improved in July-September as outflows of short-term capital declined.

The balance of payments for the agricultural sector has improved steadily from substantial deficits in the mid-1950's to a \$0.4 billion surplus in fiscal 1963-64. Prospects are for a surplus again in 1964-65 although imports may be slightly higher and exports slightly lower than in 1963-64.

CURRENT COMMODITY SITUATION

LIVESTOCK AND LIVESTOCK PRODUCTS

Meat Animals

Red meat consumption in the 50 States is expected to reach 173 pounds per person in 1964, 4 pounds more than in 1963. The gain is coming entirely from beef and veal. Pork consumption is down about 2 pounds, while consumption of lamb and mutton is down more than half a pound. U. S. beef consumption in 1964 is expected to set a record high of 100 pounds per person, up from 95 last year.

The inventory of beef cattle and calves on farms on January 1, 1965, is expected to be only slightly higher than a year earlier. The large increase in slaughter this year has prevented a large expansion in the Nation's cattle herd.

Fed cattle prices in October (Choice steers, Chicago) were about \$5 per hundred pounds above the May low of \$20.52. Factors contributing to the strength in fed cattle prices since May have been the reduction in live weights, slightly smaller fed cattle marketings than in the spring months, the USDA beef purchase program, and higher consumer incomes.

Fed cattle marketings are expected to continue large into the winter months; prices likely will hold fairly steady. Feedlot operators stated intentions as of October 1 to market 1 percent fewer cattle in the fourth quarter than in the same months of 1963. The favorable price relationship between fed cattle and feeder cattle likely will encourage large placements during the fourth quarter, indicating a continued high level of marketings well into 1965.

Commercial hog slaughter in 1964 is expected to total 2 percent less than in 1963. However, prices received by farmers this year will average only slightly higher than the 1963 average of \$14.90. Most of the gain in prices over a year earlier is coming in the third and fourth quarters. The lower hog slaughter in the second half of the year reflects a reduction in 1964 pig crops. The December 1963-May 1964 pig crop, which provides most of the slaughter supply in the second half of the year, was down 8 percent.

Hog prices are expected to average moderately higher during 1965 in response to lower per capita pork supplies. The number of sows farrowing in June-November is estimated to be down 7 percent from a year earlier, and producers in the Corn Belt reported intentions as of September 1 to have 13 percent fewer sows farrow during December-February 1965.

Lamb prices in 1964 have been more favorable for producers than in several years. The favorable lamb price situation developed primarily because of smaller slaughter supplies. Sheep and lamb slaughter for 1964 is expected to be down about 7 percent from 1963. The January 1, 1965 inventory of sheep and lambs on farms is expected to be smaller than the 28.2 million a year earlier. Sheep and lamb slaughter in 1965 is expected to continue its downward decline and lamb prices are expected to continue above year-earlier levels.

Dairy Products

Milk production in 1965 is likely to be about the same as the 125.7 billion pounds in prospect for 1964. Farm marketings are expected to increase again in 1965, and a continued gain in commercial demand is expected. However, marketings still will exceed commercial use, so about 8 billion pounds (milk equivalent) of dairy products are expected to move to the Commodity Credit Corporation (CCC) or be exported under the Payment-in-Kind (PIK) Program. These estimates assume continuation of the present dairy program, with price supports to farmers at 75 percent of parity, and existing Government export programs.

Cash receipts from farm sales of milk and cream are expected to reach a record high in 1964 of close to \$5 billion, compared with \$4.8 billion last year. The increase in cash receipts is due to increases in volume of sales and in price. Receipts in 1965 may gain slightly from 1964 because of increased marketings. Prices received by farmers may be near the 1964 levels.

In 1964, prices farmers receive for milk at wholesale may average about \$4.14 per 100 pounds, 4 cents above 1963. Through September, monthly gains above a year earlier averaged 5 cents per 100 pounds. Adjusted to the annual average milkfat content (3.75 percent), the manufacturing grade price is expected to average about \$3.27 per 100 pounds. The price support level is \$3.15.

Milk production during the first 9 months of 1964 was about 0.7 percent above a year earlier. Milk cow numbers declined about 3 percent from a year earlier, continuing a downtrend that began in 1945. This year's below average roughage supplies in several important dairy areas likely means heavy culling in the fourth quarter of 1964. But milk output per cow is gaining at a rate of nearly 4 percent per year and is likely to exceed 7,800 pounds in 1964. A further decline in milk cow numbers is in prospect in 1965, but anticipated gains in output per cow are expected to keep milk production near the 1964 level.

Civilian use of milk in 1964 is expected to be about $1\frac{1}{2}$ billion pounds above the 117.1 billion pounds (milk equivalent) consumed in 1963. The gain is due to increased sales of fluid milk and of most manufactured dairy products. Donations of Government-purchased dairy products to welfare and school lunch programs also are slightly higher this year than last. This year, per capita disappearance of milk in all forms fell only slightly from the 1963 level--from 628 pounds to 626. A further decline is likely in 1965, in line with the 1 percent average decline from 1957 to 1963. However, total consumption is expected to gain in 1965, due to increasing population.

Milk production is up nearly 1 billion pounds in 1964 compared with 1963. But farm marketings may rise about $1\frac{1}{2}$ billion pounds, because less milk is being used in households on farms where produced, and fewer farms have dairy cattle. Most of the 1964 increase will be used in commercial outlets. Government removals, by means of CCC purchases and PIK exports, are expected to be only about $\frac{1}{4}$ billion pounds (milk equivalent) more than the 7.8 billion pounds removed in 1963. Purchases (delivery basis) and exports under PIK this year may average 6 percent of milkfat produced and 10 percent of milk solids-not-fat.

Dairy products in commercial and Government stocks dropped during 1964 and are expected to total about $5\frac{1}{2}$ billion pounds (milk equivalent) by December 31--compared with 10.4 billion pounds a year earlier and the 1961-63 year-end average of 11 billion pounds. The record overseas donation of butter and butteroil, together with unusually large export sales, are the major causes of the year-end decline in stocks. Year-end stocks of dairy products in 1965 are not likely to change much from those expected at the end of this year.

Poultry and Eggs

Production of eggs, broilers, and turkeys are larger in 1964 than in 1963 and prices to producers are averaging lower. Further increases in the output of each of these commodities are in prospect for 1965. For eggs and turkeys the production increases are likely to be large enough to cause a further decline in prices. The expansion in broiler production, however, may be small and prices to producers may average higher.

The number of layers and replacement chickens currently on hand practically assures larger egg production than a year earlier through mid-1965. On October 1 the number of layers and pullets not yet laying totaled 382 million, up 1 percent from this date last year. Hatchings of egg-type chicks in July-September totaled 87 million, compared with 79 million a year earlier. And eggs in incubators on October 1 for egg-type chick production were up 12 percent from 1963. Increases in egg production the rest of 1964 probably will come mostly from a higher rate of lay; but in the first half of 1965 the expected rise will occur because of more layers than a year earlier.

Toward the close of 1965, the volume of egg production will depend increasingly on the number of replacement chickens started in the first half. This number is expected to be larger than in 1964. Egg prices over the next several months are not likely to be so low as to discourage further growth in larger commercial egg operations. And the decline in small farm flocks is not likely to be fully offsetting.

This would mean that the size of the Nation's laying flock next year would be climbing relative to 1964. In addition, most of the expected uptrend in the rate of lay in 1965 will probably occur after midyear. In 1964, egg output per layer sharply improved in January-March, but this is not likely to be repeated in 1965. Thus, egg production in 1965 would be up from 1964 by a significantly wider margin in the second half than in the first half.

This would temper the seasonal rise in egg prices next year. Prices in the second half may be significantly lower than in 1964. The increase in egg production in 1965 may be great enough to reverse the downtrend in per capita egg consumption which began in 1952. Over a period of a year, consumers tend to use all the eggs produced.

Live broiler prices at the farm may average a little higher in 1965 than the 14 cents per pound average expected this year. Because the Nation's broiler hatchery supply flock will be small in early 1965, pressures for an expansion in output will not be nearly as great as in most of 1964. Relatively low broiler prices in late 1964 will also tend to restrain broiler production early next year.

Competition from red meat will continue to be keen in 1965. But it will not be increasing as rapidly as in the last 2 years--particularly in the first half of 1965, when lower pork production is expected. Higher broiler prices than a year earlier appear more probable for January-June than for July-December. A rebuilding of hatchery supply flocks in the second half next year probably

will also tend to encourage greater production. This, together with larger red meat supplies, will tend to depress broiler prices late in 1965.

Turkey growers are likely to raise more birds in 1965 than the 98.7 million this year. The increase in output will come in the face of lower prices. Prices received this year are likely to average 21 to 22 cents per pound compared with 22.3 cents in 1963. This price is significantly higher than the post-World War-II low of 18.9 cents in 1961 which led to a sharp cut in turkey production the following year. In addition, the turkey industry has continuously increased its production efficiency. Therefore, the prospective turkey price for 1964 is likely to stimulate an increase in production in 1965.

Owners of breeder flocks in 15 States reported plans in October to keep 4 percent more turkey breeder hens at the beginning of the hatching season in 1965 than in 1964. Because past flock sizes have closely paralleled intentions, the 1965 breeder flock is likely to be larger than the 1964 flock. Such a flock could produce enough hatching eggs for a sizable increase in turkey production in 1965. If, as appears likely, production again increases appreciably next year from 1964, prices to producers probably would average lower.

Wool

The world wool industry is expected to continue to expand in 1965, but not as rapidly as in the past 4 years. World supplies in 1965 will be larger than last year due to higher carryover stocks, especially in Argentina and Uruguay, and a moderate increase in world production. Although consumption likely will be down moderately in 1964 from the record high in 1963, demand will continue relatively stable due to major manufacturing countries rebuilding stocks depleted during the period of high prices in early 1964.

In the United States, shorn wool production is expected to continue to drop in 1965 because of a continued decline in the sheep inventory. The average price received by U. S. producers for shorn wool during 1965 probably will be moderately below the price received in 1964, since world supplies of wool are expected to be larger. The 1964 average shorn wool price will be 3 to 4 cents above the 48.5 cents per pound, grease basis, received in 1963; monthly prices have been averaging 3 to 11 percent above a year earlier.

U. S. apparel wool mill use likely will total 245-250 million pounds in 1965. This will be a modest increase over the 230 million pounds anticipated in 1964 and about the same as the 251 million pounds in 1963. The decline in use during 1964 likely is due to the relatively high level of world wool prices in early 1964, which resulted in a shift to the use of man-made fibers, especially on the woolen system. Apparel wool use on the worsted system has declined more during 1964 than that on the woolen system. There also was a shift to the use of lower grades of wool during 1964.

Imports of apparel wool textile products during 1964 likely will decline to about 60-65 million raw-wool-equivalent pounds compared with 72.5 million in 1963. During January-August 1964, these imports totaled 38 million pounds, 23 percent less than a year earlier. Of the major categories, only imports

of knit wearing apparel and wool blankets were higher during 1964 than a year earlier. Declines in the other imports were greater for those items in the semiprocessed stage (tops, yarns) than for the manufactured items.

Dutiable raw wool imports during 1965 are expected to total 115-120 million pounds, clean content, up from 90-95 million forecast for 1964. Imports during 1965 will be up due to the anticipated increase in apparel wool mill use and a further decline in U. S. wool production. During January-August 1964, imports totaled 62 million pounds, 24 percent less than a year earlier, due to a decline in apparel wool use.

Production of woven wool fabric in 1965 is expected to increase moderately above the 275 million finished linear yards anticipated in 1964, since apparel wool mill activity is expected to increase. Output during 1964 is down from the 284 million linear yards of 1963 due to declines in production of men's and boys' fabric and nonapparel fabric. The declines in woven wool fabric production during 1964 is in contrast to an increase in output of man-made fiber broadwoven goods.

Carpet wool mill use probably will total 140-150 million pounds in 1965. This will be a moderate increase above the 120 million pounds forecast for 1964 but less than the 160 million pounds used in 1963. The substantial reduction in carpet wool use during 1964 is due to the high level of carpet wool prices in late 1963 and early 1964 and a significant shift to man-made fibers.

Duty-free raw wool imports during 1965 are expected to total 145-155 million pounds, clean content, up from the 115-120 million pounds anticipated in 1964 due to the probable increase in mill use of carpet wool. During January-August 1964, duty-free imports amounted to 77 million pounds, 37 percent less than in the same period of 1963; there was a substantial drop in carpet wool use.

CROPS

Wheat

Carryover of all wheat on July 1, 1964, totaled 901 million bushels. This was about 300 million bushels less than the 1963 carryover and represented the third consecutive reduction in year-end stocks since the peak carryover of 1,411 million bushels on July 1, 1961.

The estimate for all wheat production in 1964, based on the October Crop Report, is 1,286 million bushels. Estimates of carryover and production, plus an allowance for imports, provide a total wheat supply for 1964-65 of about 2,190 million bushels. This supply is sharply below that of recent years.

Domestic disappearance of wheat in 1964-65 is estimated at about 615 million bushels, a slight increase from recent years. Use of wheat for feed will account for most of the expected increase. Wheat used for food will be slightly below that of recent years, the result of large stocks of flour held by mills at the beginning of the current marketing year.

Exports in 1964-65 are estimated at 675 million bushels, sharply below the record level of 860 million bushels in 1963-64. Poor crops in many areas of the world in 1963-64 helped the United States to export a record 355 million bushels of wheat under commercial terms. World wheat production is estimated at a record level of 8,985 million bushels in 1964-65; this will increase competition for export markets. The carryover in the United States at the end of the marketing year is expected to be about the same as that on July 1, 1964 since total disappearance is estimated to about equal the 1964 crop.

The price received by farmers for wheat during the first 4 months of 1964-65 has averaged above the national average price support loan rate, reflecting the withholding of wheat from the market by farmers and warehousemen. Based on the present supply and demand outlook, the season average price received by farmers in 1964-65 should be near the national average price support loan rate. About 3/4 of the national acreage allotment is enrolled in the 1964 Wheat Program. All wheat produced on enrolled acreage is eligible for loan. In addition, farmers diverting acreage also receive income supplements in the form of marketing certificates and acreage diversion payments. With these supplements, cash receipts from wheat in 1964-65 may be about \$2.1 billion, compared with \$2.3 billion in 1963-64.

Farmers signed up to divert 5.5 million acres in the fall signup of the 1965 Wheat Program. About 3.9 million acres of this represents a 10 percent reduction in the 1965 allotments from those in effect in 1963 while the remainder represents a reduction from the current allotment. A spring wheat signup will be held in early 1965. Under the 1964 Wheat Program, 5.3 million acres of wheat, including both spring and winter wheat, were diverted. It is difficult at this time to make a specific evaluation of the effects of the fall signup because of the many alternatives the farmer may elect to take in the spring.

The national average price support loan rate under the 1965 Wheat Program will be \$1.25 per bushel, 5 cents below the 1964 support price. Domestic certificates will be valued at 75 cents per bushel compared with 70 cents in 1964, and export certificates, 30 cents per bushel compared with 25 cents in 1964.

Rice

The 1964 rice crop is estimated at a record 72.5 million cwt., based on October 1 indications. The beginning carryover on August 1, 1964, of 7.5 million cwt., along with this crop and an allowance for a small quantity of imports, provide a supply of 80.1 million cwt. in 1964-65. A supply of this size is 3 percent above last year's large supply and about 22 percent above the 1957-61 average. All data are in terms of rough rice.

The total disappearance of rice in 1964-65 is likely to be about the same as the record 70 million cwt. of 1963-64. Domestic disappearance in 1964-65 will probably be slightly larger than the 29.2 million cwt. of last year, since use

of rice for food may be expected to continue its long-time uptrend. Use of rice for seed and industry may not be substantially different from the estimated 2.4 million and 3.8 million cwt., respectively, of 1963-64.

Total exports in 1964-65 may match the record 41.3 million cwt. of 1963-64. This year a larger proportion is expected to be shipped under P.L. 480. India may again be our largest individual taker of rice, all moving under the Food-for-Peace Program. While the outlook for commercial exports in 1964-65 is not nearly as good as that of last year, they likely will be at the level of other recent years. The worldwide cereal grain shortage in 1963-64 stimulated U. S. rice exports for dollars which pushed commercial exports to an estimated 22 million cwt. Japan and the Soviet Union both made large purchases. Based on these disappearance estimates, the carryover of rice on August 1, 1965, may be slightly above the carryover of the last few years but would be well below the 1957-61 average.

The national average price support loan for 1964-crop rough rice is \$4.71 per cwt., the same as for the preceding 3 crop years. During August-October 1964, the price received by farmers averaged \$4.80 per cwt., about 18 cents below the same period a year earlier.

Feed Grains

The total feed grain supply for 1964-65 is estimated at 206 million tons, on the basis of October indications, 14 million less than in 1963-64 and the smallest since 1958-59. The feed grain crop was estimated in October at 137 million tons, 19 million less than the record production in 1963. Dry weather this summer reduced the feed grain yield per acre in the Corn Belt 10 percent from last year and the national average feed grain yield by about 7 percent from the record yield last year. Farmers reduced the feed grain acreage harvested this year—5 percent below 1963 and 21 percent below the 1959 and 1960 average. The smaller crop was offset in part by a 5-million-ton increase in carryover stocks into 1964-65 to 69 million tons. Total consumption of feed grains declined about 2 percent in 1963-64 from 1961-62 and a further slight decline is in prospect for 1964-65. Even so, total utilization is expected to exceed the 1964 crop by around 11 million tons, reducing the carryover into 1965-66 to around 58 million tons.

Exports of feed grains in 1964-65 probably will at least equal and may exceed the record export of 18.7 million tons in the 1963-64 marketing year. Continued strong demand in European countries along with smaller Canadian production will tend to maintain U. S. exports at a high level. Corn exports are expected to continue near the 1963-64 record high of 500 million bushels.

The 1964-65 corn supply of 5,075 million bushels is about 350 million less than in 1963-64. The 1964 crop of 3,564 million bushels is expected to be around 285 million bushels below total utilization, which would reduce

carryover on October 1, 1965, to near 1.2 billion bushels. Supplies of oats and barley are 4 percent smaller this year than last and the sorghum grain supply is 8 percent smaller.

Feed grain prices in 1964-65 may average a little higher than in 1963-64, continuing the general upward movement of the past 3 years. The index of prices received by farmers for feed grains rose slightly in 1963-64 from a year earlier and was 10 percent above the postwar low in 1960-61. In 1964-65, higher loan rates for corn, barley, and sorghum and smaller feed grain production will give strength to prices. Under the 1964 Feed Grain Program, CCC cannot sell feed grains against the certificate pool at less than the loan rate plus carrying charges. The higher 1964 loan rates will raise the legal minimum price at which feed grains may be sold.

The 1965 Feed Grain-Wheat Program will permit substitution between wheat and feed grain acreages for farmers having both a feed grain base and a wheat acreage allotment and participating in both programs. The minimum diversion for feed grains has been announced at 20 percent of the feed grain base and the maximum diversion 50 percent or 25 acres, whichever is larger. Feed grain price supports, acreage diversion payments, and other provisions of the Feed Grain Program will be announced later.

Oilseeds, Fats and Oils

The U. S. supply of edible fats, oils, and oilseeds during the 1964-65 marketing year which began October 1 is forecast at 16.3 billion pounds (in terms of oil), about 4 percent less than the record quantity last year. The decline is mainly due to a sharp drop in carryover stocks of butter and edible vegetable oils on October 1, 1964 as output in 1964-65 is expected to equal the previous year. Domestic disappearance is expected to rise in 1964-65 about in line with population growth, thus requiring an additional 125-150 million pounds. This would leave about 6.8 billion pounds available for export and carryover stocks in 1964-65.

Exports of food fats (including the oil equivalent of soybeans) through September 1965 are forecast at around 5.0 billion pounds, slightly more than 1963-64. This would represent about one-third of the 1964-65 U. S. output of these commodities. The increase over last year will be due primarily to a sharp pickup in edible vegetable oil exports, particularly under P. L. 480. A Title I program has been consummated with India for the first time and Title III barter programs will increase. Titles II and III foreign donation programs will be increased by reason of edible oils replacing butter. Spain is again buying U. S. soybean oil for dollars this year because olive production is down sharply in the Mediterranean countries.

U. S. supplies of soybeans during the marketing year that started October 1 are estimated at a record 730 million bushels compared with 717 million in 1963-64. Based on October 1 conditions, the 1964 soybean crop is estimated at 699 million bushels, approximately the same as in 1963.

Because of the fairly close balance between supply and demand in 1964-65, soybean prices to farmers are expected to continue strong, averaging close to the \$2.54 per bushel received in 1963-64 and well above the 1964 support price of \$2.25. Prices to growers in October 1964, the first month of the current marketing year, averaged \$2.55 per bushel, about the same as a year earlier.

The long-term uptrend in soybean usage is expected to resume in 1964-65 after the temporary reversal in 1963-64. Soybean crushings in 1964-65 likely will increase from the 441 million bushels the year before, approaching the record 475-million-bushel grind of 1962-63. Soybean exports are expected to slightly exceed the 1963-64 record of 191 million bushels.

A better balance between the relative demands for soybean oil and soybean meal is likely during 1964-65. The demand for soybean meal outstripped the demand for oil in the past few years. Consequently, the meal demand has determined the rate of crush, resulting in the build-up of soybean oil stocks. But now with oil stocks a third lower than a year ago and demand increasing, soybean oil prices (crude, Decatur) will average well above the 8.5 cents per pound in 1963-64. Prices in October 1964 averaged 11.0 cents per pound, 1.5 cents above October 1963. Soybean meal (bulk, Decatur) possibly may average a shade lower than the relatively high 1963-64 average of \$71 per ton. In October, meal averaged \$69 per ton, \$4 under the same month last year.

Fruit

Consumer demand for fresh and processed fruit in 1965 is expected to be good, perhaps even better than this year. Underlying this prospect are the rising incomes of the increasing population. Increased total supplies of fresh and processed fruits are in prospect from now until mid-1965. These supplies arise mainly from the larger citrus crop now being harvested and the record 1964 deciduous crop.

Prospects for U. S. exports of fresh and processed fruit point to a moderate increase in 1964-65 over a year earlier. Aided by record-large supplies, canned deciduous fruits are expected to account for most of the gain. There also may be some increase in raisins and dried prunes. Exports of fresh fruit may closely approximate the level of 1963-64. Some gain in tree nut exports is anticipated, largely because of the prospective increase in the 1964 almond crop.

Citrus production in 1964-65 is expected to increase sharply over the relatively small 1963-64 volume that resulted from lingering effects of the 1962-63 freezes. Trees in Florida and Texas have made remarkable recovery, pointing to further increases in the years ahead, assuming favorable weather.

Production of early, midseason, and Navel oranges in 1964-65 was forecast as of October 1 at 60.6 million boxes, 37 percent above 1963-64. In Florida, total orange production (including Valencias) is expected to be 83.6 million boxes, up 43 percent. The prospective U. S. grapefruit crop (excluding California's "other areas") is 40.8 million boxes, up 25 percent from 1963-64.

Harvest and fresh market movement of the new citrus crop in Florida started a little later this fall than a year ago, but was expected to reach seasonally large volume in November. Both shipping-point and terminal-auction prices for the light early-season marketings averaged considerably above year-earlier levels. Price prospects for sales later in the season are not as favorable as last year, mainly because the volume of citrus remaining to be handled after January 1 will be greater than a year earlier.

Processors' usage of 1964-65 crop Florida citrus fruit is expected to be much larger than last season, pointing to substantially increased packs of processed items, especially frozen orange concentrate. This fall, Florida packers' stocks of principal canned and frozen citrus items are considerably below a year ago.

Deciduous fruit production is expected to trend upward over the next few years, aided by many young trees reaching bearing age. But unless growing conditions are exceptionally favorable, the 1965 crop may fall short of the record output in 1964, which was 7 percent above 1963 and 12 percent above average. Production of most 1964 crops was above both 1963 and the average. The apple crop was the largest in more than a quarter century. Increased year-end cold storage stocks of apples, pears, and grapes are expected.

Output of processed deciduous fruits, still underway, will be up substantially from last year. The 1964 packs of canned peaches, canned fruit cocktail, and frozen red tart cherries set records, and the packs of most other major items probably will be up significantly. Dried prune production is up considerably and raisin output again will be large.

The 1964 U. S. crop of edible tree nuts is expected to be about a third below the record 1963 crop. A sharp drop in the pecan crop much more than offsets small to moderate production increases in almonds, filberts, and walnuts. Total production probably will be up in 1965--the increase is likely to be in pecans. Imports of foreign-type tree nuts, especially cashews and Brazil nuts, are expected to be down somewhat from 1963-64, mainly due to reduced output and increased prices in exporting countries.

Commercial Vegetables

Fresh: Supplies of most fresh vegetables this fall are slightly smaller than a year ago. Among major items, production of tomatoes probably will be substantially above last year. Larger supplies also are in prospect for Brussels sprouts and green peppers. But output of cabbage, celery, carrots, snap beans, cucumbers, and lettuce is down slightly, and tonnage of broccoli is down moderately. Storage supplies of onions for fall and winter marketing are materially smaller than the heavy volume of a year earlier and a little below average. So far, prices for fall vegetables have averaged moderately above the high levels of a year earlier. With supplies generally smaller, markets likely will remain strong.

Processed: Total canned vegetables supplies for the 1964-65 season are expected to be moderately smaller than last season although well above the

1958-62 average. There probably will be moderately fewer snap beans, beets, and lima beans. Sweet corn supplies will be materially below the burdensome levels of recent years, and green pea supplies again are light. But supplies of asparagus, tomatoes, and tomato products appear to be about the same as the large volume last season, and spinach supplies are much heavier. Frozen vegetable supplies for this season probably are moderately smaller than last season, primarily because of sharp cuts in sweet corn and lima beans, and moderately fewer green peas. Supplies of other frozen vegetables are expected to be the same to larger than a year earlier. F.o.b. and retail prices for both canned and frozen vegetables are expected to average slightly above the low levels of a year earlier.

Potatoes and Sweetpotatoes

Supplies of potatoes for fall and winter markets are substantially smaller than a year ago, and moderately below the 1958-62 average. Production of fall potatoes was 9 percent below last year and the smallest since 1960. Prices so far this fall have been the highest in more than a decade, and with below average supplies available the next 4 to 5 months, prices are expected to remain high.

Sweetpotato supplies are close to the light supplies of a year ago. Production is estimated at 16 million cwt., 1 percent less than in 1963. Marketings will be at the usual peak during November and December, then decline seasonally. Because of relatively small supplies, prices to growers this season will average close to the high levels of last season.

Dry Beans and Peas

Supplies of dry beans in the 1964-65 season appear to be considerably below the heavy volume of last season, with larger carryover stocks more than offset by smaller production. The 1964 crop is estimated 13 percent smaller than last year. Supplies of all leading classes--including pea beans, Great Northerns, pintos, and red kidney beans--probably are down materially. Prices for the season are expected to average at least moderately above those of last season.

Dry pea supplies probably are slightly above the heavy supply last season. Although output was down slightly, stocks were larger. Because of a weak export demand, markets have been under pressure, with prices considerably below a year ago. Unless export demand improves, prices this season may continue relatively low.

Cotton

A further build-up in cotton stocks, but smaller than last years, is now in prospect for the 1964-65 crop year. Large disappearance of cotton this crop year is expected to be offset by the large 1964 crop. Carryover of upland cotton on August 1, 1964, totaled slightly more than 12 million bales--the highest since the record 14.4 million bales in 1956. During the vast crop year, because of the large crop, more than a million bales were added to the carryover.

Cotton use is increasing sharply this year--it may be at the highest level since 1950. Lower cotton prices provided for in new legislation passed in April of this year are contributing to the consumption increase. At the same time, some rebuilding of cotton textile inventories is expected.

U. S. cotton exports this year are expected to total below the relatively large exports of the 1963-64 crop year, but they may be slightly above the average of the past 4 years. The level of exports in prospect this year is based, in part, on a continuation of the increase in foreign free world consumption from last year's record level. At the same time, U. S. cotton is likely to be competing with somewhat larger crops in foreign free world countries.

The large U. S. 1964 crop reflects high yields and generally favorable growing conditions in most major producing areas. This year's yield may exceed last year's record 516 pounds. Harvested acreage is down about 1 percent.

In view of the supply-demand situation, the 1965 national acreage allotment for upland cotton has been set at the statutory minimum of 16 million acres--same as the allotment for this year's crop. For the 1965 crop, the level of price support--between 65 and 90 percent--will be determined by the Secretary after taking into consideration changes in production costs, and other factors. As provided for in legislation passed April 11, the basic support price for 1964 crop Middling 1-inch cotton is 30.00 cents per pound, down from 32.47 cents in 1963.

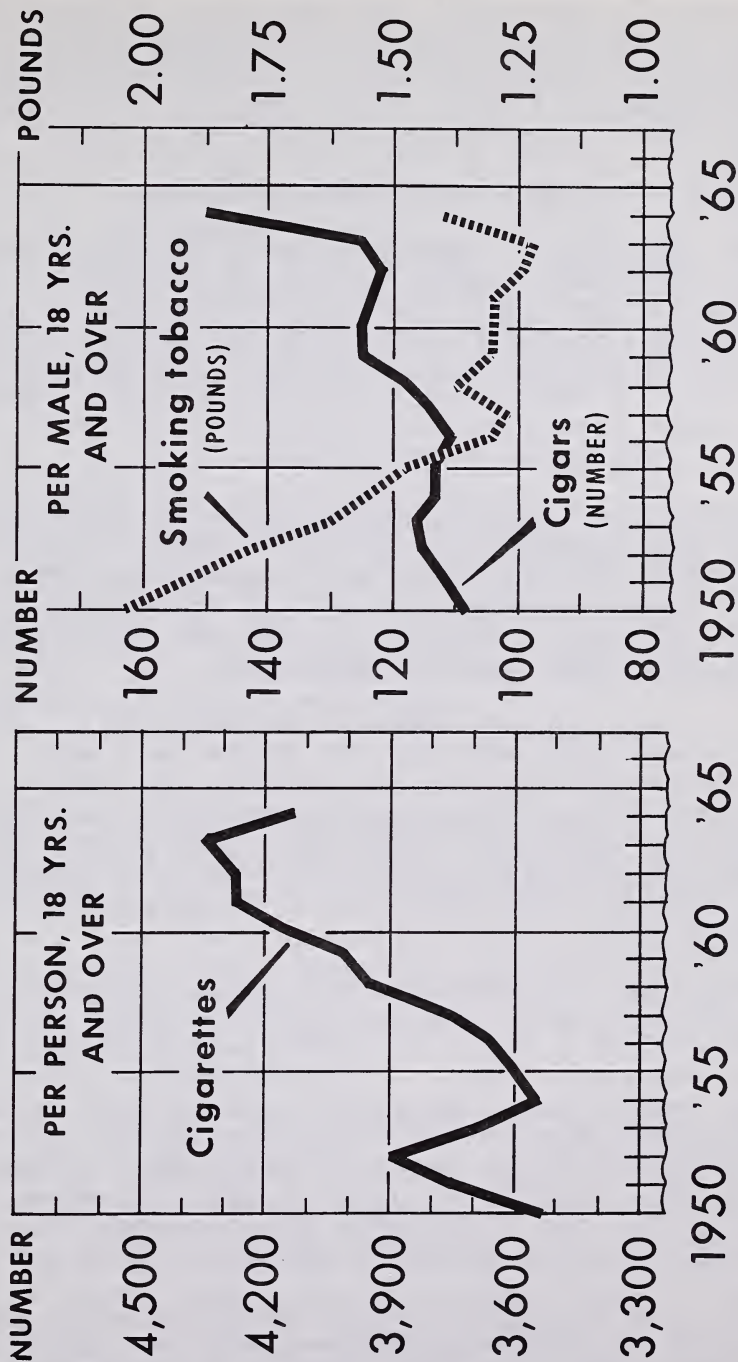
A national domestic allotment of 10.4 million acres has been announced for the 1965 crop. This allotment represents the number of acres required to produce estimated domestic use of cotton during the next crop year and is about 65 percent of the 16 million national acreage allotment. Farmers who plant only their domestic allotment next year will be eligible to receive, in addition to the basic price support, an extra price support payment. The payment rate will be announced later. For the 1964 crop the payment is 3.5 cents per pound. As for the 1964 crop, farmers with 1965 allotments of 15 acres or less will not have to reduce their plantings to be eligible for the additional price support.

The new law provides equalization payments to maintain and expand domestic consumption of cotton by making cotton more competitive with synthetic fibers and removing differences in the cost of raw cotton between domestic and foreign users. For the current crop year, both domestically consumed and exported cotton are eligible for an equalization payment rate of 6.5 cents per pound.

Tobacco

Cigarette output in calendar 1964 is estimated at 532 billion--3 percent below the record high last year. This decline contrasts with significant gains each year during 1955-63. Cigarette consumption fell sharply after the smoking-health report was issued last January, but by midyear had shown considerable

PER CAPITA CONSUMPTION OF TOBACCO PRODUCTS



1964, PRELIMINARY ESTIMATE.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 3105-64 (9) ECONOMIC RESEARCH SERVICE

resurgence towards the 1963 level. If cigarette use continues fairly near the level indicated for mid-1964, output and consumption might be up a little in 1965. The longer-range trend of cigarette consumption, however, is somewhat uncertain and probably will remain so for some time. While gains in population of smoking age might be expected to bring about an increase in cigarette consumption, smoking in relation to health will continue to be a matter of concern. Consumer response cannot be predicted with certainty.

The 1964 consumption of cigars and cigarillos by U. S. smokers is estimated at 9 billion--nearly a fourth more than in 1963 and the largest on record. Sharpest increases have occurred in cigarillos, but cigars in all price brackets show significant gains over a year earlier. Cigar and cigarillo consumption is likely to gain further in 1965, though probably not as rapidly as in 1964. Output of small cigars (cigarette size) has dropped back from the high levels reached in the first half of 1964, but for the year as a whole will probably still be the largest in over 40 years.

Output of smoking tobacco in 1964 may approach 83 million pounds, 18 percent above 1963 and probably the largest in 10 years. Production in 1965 might be below 1964, although higher than in other recent years. The 1964 output of chewing tobacco is estimated at about 67 million pounds, 3 percent above 1963, while that of snuff is estimated at about 31½ million pounds, not much different from 1963 output, lowest in many years.

Exports of unmanufactured tobacco in calendar 1964 are expected to be about 3 percent below 1963, when they were highest in 7 years. The Rhodesian flue-cured crop harvested in early 1964 was by far the largest on record, and sold at the lowest price in many years and considerably below U. S. prices. Large supplies of tobacco are also available in some other countries. In view of the extremely large overseas supplies of competitive tobaccos, U. S. tobacco exports seem likely to be down moderately in the year ending June 30, 1965, from the previous year.

The 1964-65 supply of flue-cured--the leading cigarette and export tobacco--is 1 percent above a year earlier and the largest on record. Domestic use in 1963-64 declined a little, but exports were up 16 percent from the comparatively low year-earlier level. If the mid-1964 level of cigarette output is maintained, domestic use of flue-cured in 1964-65 would increase a little. However, 1964-65 exports may be moderately below 1963-64. About nine-tenths of the 1964 flue-cured crop had been sold through early November, at an average price of about 58½ cents per pound, slightly below the average in the corresponding period last season. Placements under Government loan were about 20 percent of total deliveries, the same percentage as in the entire 1963 season.

The 1964-65 supply of burley--second ranking cigarette tobacco--is the biggest on record. An increase in carryover more than offsets a substantial drop in this year's crop. The 1963-64 domestic use of burley was below the record 1962-63 level, but exports reached a new high. Burley auction markets will open November 30.

Total 1964-65 supplies of Maryland and Kentucky-Tennessee fire-cured are indicated to be up from 1963-64 but those of Virginia sun-cured, Ohio-cigar filler, cigar binder, and shade-grown wrapper are lower. The 1964-65 supplies of Virginia fire-cured and Kentucky-Tennessee dark air-cured are about the same as last year's.

Government price supports are mandatory for tobaccos produced under marketing quotas. The 1964-crop overall price support levels are up 1 percent from 1963. The year-to-year change in the overall support levels is determined by the relationship between the recent 3-year average of the parity index and the 1959 parity index. The parity index is the index of prices paid by farmers, including interest, taxes, and farm wage rates. Available data indicate that overall price support levels for 1965 tobacco will be up about 1 percent from 1964 levels.

The 1965 marketing quota and acreage allotment for flue-cured tobacco will be announced by December 1, but the Secretary of Agriculture has until February 1 to announce the 1965 marketing quotas and acreage allotments for burley and other kinds of tobacco. After the quota announcements, growers of flue-cured, burley, Virginia sun-cured, and Pennsylvania cigar filler will vote in separate referendums on marketing quotas for their 1965, 1966, and 1967 crops. For fire-cured, dark air-cured, Connecticut Valley binder types, Ohio filler-Wisconsin binder types, and Maryland tobacco, marketing quotas on the 1965 crops were approved in previous referendums.

Sugar

Sugar prices, both in the United States and in the "world" market, have declined substantially since January this year. Since June, they have been below any month in 1963 (table 8). Prices in most sugar importing countries, including the United States, generally are protected to a considerable extent against price declines below levels considered desirable by the importing country. No such protection exists, when quotas under the International Sugar Agreement are inoperative, with respect to "world" prices. The term "world" prices applies to those exports of sugar which receive no preferential treatment from any importing country.

Latest USDA estimates show the 1963-64 world production of sugar to be about 4.5 million tons (8.2 percent) above 1962-63. Nearly 80 percent of this increase was outside the United States. Official estimates of 1964-65 world sugar production are not yet available. However, current indications from trade sources and from the International Sugar Council are that the increase in world output from 1963-64 to 1964-65 may be as great as the increase from 1962-63 to 1963-64. Such an increase would bring world output closely in line with the production indicated by the upward trend that prevailed prior to 1961-62. The average "world" price of sugar for 1958-62 was 3.10 cents per pound, about $\frac{1}{2}$ cent below current levels.

Sugar prices in the United States under the quota system usually are higher than those in the "world" market. However, this situation was reversed during the period of high prices in 1963 and 1964, when "world" prices first

rose and then declined at a faster rate than those in the United States. Since June 1964 the more usual price relationship between the two markets has been restored, although the differential is substantially below the 1962 average of +2.58 cents.

The use of corn sirup, dextrose, and the noncaloric sweeteners continues to increase. Trade reports of plans to expand operations by producers of these products indicate that competition for sugar producers from these sources is likely to increase.

Table 8.--Raw sugar prices: United States and "world" markets, monthly 1963 and 1964

Month	1963			1964		
	New York : duty : paid :	"World" : sugar :	Quota 1/ premium : or : discount :	New York : duty : paid :	"World" : sugar :	Quota 1/ premium : or : discount :
	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Cents per pound
January	6.70	5.41	+0.40	9.29	10.64	-2.28
February	6.80	6.06	-0.15	8.02	9.11	-2.02
March	7.04	6.62	-0.47	7.33	7.43	-1.03
April	8.26	7.65	-0.28	7.43	8.05	-1.54
May	11.08	10.36	-0.19	6.65	7.12	-1.39
June	8.70	9.92	-2.12	6.45	5.33	+0.20
July	7.95	9.05	-2.00	6.25	4.80	+0.53
August	6.65	6.63	-0.88	6.18	4.37	+0.89
September	7.45	7.63	-1.09	6.20	3.71	+1.57
October	9.42	10.67	-2.18	---	---	---
November	9.34	11.63	-3.23	---	---	---
December	8.78	10.36	-2.52	---	---	---

1/ Difference between the New York and "world" prices after adjustment for transportation costs and tariff.

The Secretary has proposed that 1965 quotas for foreign countries, except the Philippines, be based on the volume of imports into the United States from each country in 1963 and 1964, double weight being given to 1964 imports. No import fee is provided. Since more than half the proposed quotas for foreign countries, other than the Philippines, items from the market reserved for Cuba when friendly relations are resumed with that country, the full 1965 prorations should not be regarded as a precedent for later years.

Timber Products

Consumption of all timber products in 1964 is estimated at 12.4 billion cubic feet, and production from domestic forests at 10.7 billion cubic feet. These levels are about 4 percent above those of 1963. Stumpage prices for most species of timber sold from the National Forests moved upward during the first 2 quarters of 1964--continuing a trend that began in the third quarter of 1963.

Lumber consumption in 1964 is estimated at 41.3 billion board feet, some 2.3 billion board feet above 1963. Softwood lumber consumption is expected to total 34.1 billion board feet--7 percent above 1963. Hardwood lumber consumption will likely remain near the 1963 level of 7 billion board feet.

Domestic lumber production in 1964 is expected to reach 36.8 billion board feet, an increase of 6 percent over 1963. Softwood lumber production is estimated at 29.8 billion board feet, 8 percent above 1963. Hardwood lumber production is expected to total 7 billion board feet, about the same as in 1963.

Lumber imports in 1964 are estimated at 5.5 billion board feet (all softwoods, except for 0.3 billion board feet of hardwoods) and exports at 1 billion board feet. Net imports will thus amount to 4.5 billion board feet and compose about 9 percent of total lumber consumption (13 percent of softwood consumption). In comparison, 1963 net imports totaled 4.4 billion board feet and composed 11 percent of total consumption.

The wholesale price index of lumber (1957-59=100) in July 1964 was 101.5--slightly above the 1963 level of 98.9. The indexes for softwood and hardwood lumber were also above the 1963 average. In recent years, lumber prices have peaked in summer and declined in fall and winter as unfavorable weather curtailed building activity.

Trends during the first part of 1964 indicate that about 48.9 million cords of pulpwood--including 36.5 million cords of roundwood and 12.4 million cords of chipped plant byproducts--will be consumed in U.S. pulpmills in 1964. This represents a new peak in consumption--6 percent above that in 1963 and 66 percent above that of 10 years ago. Production of round pulpwood from domestic forests is estimated at 35.4 million cords, some 1.2 million cords above 1963. Round softwood production is expected to total 25.3 million cords and hardwoods 10.1 million cords. These levels are, respectively, 3 percent and 4 percent above those of 1963. Production of pulpwood chips from sawmill and veneer mill residues is expected to reach the equivalent of 11.5 million cords in 1964--some 11.4 percent above 1963.

No significant change is anticipated in pulpwood prices in 1964. In recent years pulpwood prices at local points of delivery have been relatively stable. In the mid-south, for example, the price of southern pine roundwood has remained at about \$14.75 per cord since 1956. Prices of hardwood roundwood and chipped plant byproducts have, respectively, been near \$12.50 and \$14.50 per cord during the same period.

Plywood and veneer consumption is estimated at 14.5 billion square feet in 1964, about 11 percent above the 13.1 billion square feet consumed in 1963. Softwood plywood consumption, including small amounts of veneer, is estimated at 11.5 billion square feet. This is a new high in a trend that has been rising at an average annual rate of 11.1 percent since 1954. Consumption of hardwood plywood and veneer is also expected to reach a new peak of 3 billion square feet in 1964.

The wholesale price index for softwood plywood in July 1964 was 86.6 (1957-59=100), some 3 points below the 1963 average. The wholesale price index for hardwood plywood in the same month was 96.9--about the same as the 1963 average of 97.3.

Softwood veneer log production in 1964 is estimated at 5 billion board feet, a half-billion board feet above 1963. Softwood veneer log production has been concentrated in the West, but in the past year 3 new plants using southern pines have been built in the South and another 4 plants are either under construction or announced. Domestic hardwood veneer log production in 1964 is estimated at 800 million board feet--a level that has been maintained without significant change in the last few years. Imports of hardwood plywood and veneer are expected to rise by an estimated 7 percent in 1964--a continuation of a trend that has been sharply upward since the early 1950's.

Production of miscellaneous industrial roundwood products, such as cooperage logs, poles and piling, fence posts, and mine timbers, is estimated at 475 million cubic feet in 1964, about the same as in 1963. Fuelwood production is expected to be about 14 million cords, down somewhat from 1963. Christmas tree consumption in 1964 may approximate 46 million trees, and domestic production 34 to 36 million trees.

Naval Stores

Production of all types of rosin is expected to exceed disappearance in the 1964 crop year by about 160,000 drums. This compares with an excess of about 251,000 for 1963. The difference between the 2 years is explained mainly by an estimated 3 percent or 70,000-drum reduction in output. Carryout stocks are expected to rise about 17 percent to the highest level in 21 years, with price support stocks constituting 60 percent of the total. U. S. gum rosin prices have been stable for more than 2 years because of the price support program. Other types of domestic rosin, especially tall oil rosin, are being sold at lower prices, particularly for export. Prices of foreign rosins remain considerably lower than domestic gum rosin, but the difference is narrowing.

A reduction in gum and steam distilled wood rosin output of 12 and 7 percent, respectively, should more than offset an 11 percent rise in tall oil rosin production. The decline in gum rosin is attributable mainly to reduced yields caused by adverse weather; lower steam distilled rosin production reflects reduced importation of pine wood extract and increasingly sporadic operation of some plants in the Western-Gulf States. The outlook for 1965 is for a further decline in total production, although tall oil rosin output will continue to increase.

Not much change is expected in rosin requirements. An important factor in this nearly static situation is the continuing shift to, and more efficient utilization of, fortified rosin size both here and abroad, which offsets the rising trend in output of paper and board. The tendency of industrialized countries to import rosin rather than modified rosin continues to restrain U. S. rosin usage while sustaining exports. Utilization of U. S. rosin at plants constructed by U. S. firms abroad also has bolstered exports.

Turpentine requirements have exceeded production and imports for nearly 3 years. Prices, which began declining from 53 cents per gallon (bulk in tanks, at processing plants) in 1960, reached a low of 17 cents in the summer of 1962 and have since risen to about 51 cents in October 1964. The recent price increase reflects an estimated 7 percent reduction in supplies in the face of continued substantial exports and domestic requirements, particularly for the beta pinene fraction. Industrial utilization of turpentine is increasing in 1964 at the expense of exports and retail sales. If turpentine prices continue to rise, significant curtailment may be expected in both domestic and export markets.

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